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19 September 1951

CIA No. 49348

Copy No. 143

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. All Moslems urged to sign Communist peace pact appeal: The recent Moslem holiday afforded the Kremlin an opportunity to exert religious influence on behalf of the Communist peace campaign. A TASS despatch stated that the spiritual leader of Moslems of Central Asia and Kazakhstan strongly attacked the "inhuman policy of US-UK imperialists, designed to kindle a new war," and called on all Moslems to sign the World Peace Council's appeal for a Five Power Peace Pact. [REDACTED]

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Comment: Moscow rarely misses an opportunity to woo religious support for the various phases of its peace campaign. Any support or signatures of the clergy are exploited to show the all-embracing scope of the peace drive.

2. FINLAND: Government unwilling to curtail deliveries of certain strategic items to Soviet Union: The Finnish Foreign Minister has informed the US Minister in Helsinki that Finland could not take steps to curtail deliveries of strategic items to the USSR. The Foreign Minister pointed out that aside from contractual obligations -- the Finnish-Soviet reparations agreement and the Finnish-Soviet trade agreements -- compelling political reasons demanded that Finland make agreed deliveries. The US Minister stated that the Foreign Minister's comments were categorical and left no apparent loophole. [REDACTED]

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Comment: The US has been particularly interested in halting the shipments of Finnish copper to the USSR, which receives about 40 percent of Finland's yearly output of approximately 18,000 tons. While Finland is not willing to curtail its exports of strategic items to the Soviet Union, it has voluntarily undertaken to keep a close watch on irregular movements of such materials to the Soviet bloc. Finland has prevented illegal transshipments of strategic goods through its ports to the USSR, despite considerable Soviet pressure. Also, there are no known cases in which strategic goods imported for use in Finland have been shipped on to the Soviet bloc.

3. RUMANIA. Armored divisions move west from Bucharest: [REDACTED] the US Legation in Bucharest that the Tudor Vladimirescu armored division left Bucharest between 11 and 13 September for Craiova. The US Military Attache has confirmed the fact that the barracks occupied by this division in Bucharest are "void of normal garrison." [REDACTED]

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Comment: The Tudor Vladimirescu division, Rumania's only armored and best division, moved from Bucharest north to Brasov early in May, presumably for maneuvers. The division returned to Bucharest to participate in Rumania's Liberation day celebration on 23 August. The reported movement of this armored division to Craiova will considerably augment Rumania's military strength in the vicinity of the Yugoslav border where two divisions are already located.

4. RUMANIA: Military court sentences alleged imperialist agents: Concluding a week-long trial of "spies, saboteurs and conspirators in the service of US-British imperialism and the Vatican," the Bucharest court meted out sentences to the ten defendants ranging from ten years to life.

An Italian Legation clerk and a Catholic priest were sentenced to life and fifteen years, respectively. Both are Italian nationals and bearers of Italian service passports. In his summation, the special prosecutor stated that the Vatican, after the defeat of Hitler, whom it had served, put its "vast espionage network" in the service of the US for unleashing of a new World War against the free peoples of the USSR and the People's Democracies. According to the prosecutor's statement, the Italian Government maintained through its Legation in Bucharest a correlated espionage service in Rumania for the benefit of the American imperialists.

Comment: From the Government's viewpoint the trial accomplished several purposes: (1) provided the opportunity for a heightening of the scurrilous propaganda campaign against the US; (2) destroyed "legally" the remaining links between the Vatican and some 3,000,000 Roman Catholics in Rumania; and (3) laid the groundwork for declaring several Italian diplomats now in Rumania persona non grata.

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SECTION 2 (EASTERN)

1. GREECE. Greek elections have resulted in an impasse: Marshal Papagos remains adamant in his refusal to collaborate with any other party in forming a government, the US Embassy in Athens reports. Papagos feels that a coalition would be too weak to carry out his program. Accordingly, he intends to ask the king for a mandate to carry out immediate new elections under the majority system. [REDACTED]

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Comment: Papagos' attitude might force new elections which would result in several months of political and economic instability and confusion. An alternative would be an unlikely EPEK-Liberal combination which might not even have a working majority. There does remain the possibility that Papagos might win enough opposition deputies to his party to form and maintain a single party government.

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3.

Burma to intercede for US citizens in China: US Ambassador Key in Rangoon has been informed that the Burmese Embassy in Peiping is to be instructed to associate itself with the representations that other missions there are making regarding the unjustified treatment of US citizens. [REDACTED]

Comment: This gesture of goodwill towards the US may be designed to offset the unfavorable publicity Burma received for its non-participation in the Japanese Peace Conference. The Burmese, however, can point to this action as further proof of their "neutral" foreign policy.

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4. INDONESIA. Early ratification of Japanese treaty depends on National Party: Acting Prime Minister Djuanda told US Ambassador Cochran that ratification of the Japanese treaty depends almost entirely upon the attitude of the Indonesian National Party (PNI). If PNI approval can be assured, Djuanda expects early ratification. If the outlook is unfavorable, he believes the treaty will not be submitted to parliament for some time. Such a delay would permit tempers to cool and interest in the treaty to diminish. [redacted]

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Comment: Responsible PNI leaders have given their assurance that, contrary to an earlier statement, the party will not withdraw its ministers from the cabinet over the treaty issue, but thus far they have maintained their opposition to ratification.

5. Government continues forceful policy against subversive groups: A cabinet official told US Ambassador Cochran that Prime Minister Sukiman is determined to continue a firm and forceful policy against subversive groups. On this matter he is receiving increasingly active support from the Sultan of Jogjakarta. Arrests of Communists are continuing. [redacted]

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Comment: Estimates of the number of persons now arrested varies from 1,000 to 3,000. However, since the initiation of the governments' forceful policy approximately five weeks ago, there has been no appreciable change in the law and order situation.

6. INDOCHINA. Heavy Viet Minh attack unlikely before November: [redacted] the Viet Minh is preparing to attack. It is believed possible that local attacks may take place before 1 October, but that a general offensive is unlikely prior to November. The morale of Viet Minh troops continues low. [redacted]

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7. Good French-Vietnamese teamwork in Ninhbinh area: US Consul Blancke observes that the French Colonel commanding French-Vietnamese forces in the South Zone of the Tonkin delta has done an excellent job of inspiring enthusiasm and teamwork among his officers (mostly French, some Vietnamese) and men (overwhelmingly Vietnamese). Relations with local Vietnamese civil authorities are good, which Blancke attributes to the commanding officer's "square-shooting methods." [redacted]

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Comment: Cooperation between the French and Vietnamese at the local level, where a clear-cut limited mission -- the elimination of the Viet

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Minh -- exists, has been more wholehearted than at the national level, where ultimate French intentions are still considered highly suspect by many influential Vietnamese.

8.

French-Vietnamese conflict on economic issues looms: With the signing of the Japanese peace treaty and Japan's probable quest for markets in Southeast Asia, Vietnamese interest in expanding its trade with Japan will run counter to the traditional reluctance of French government and business interests to admit any competitive Japanese goods into Indochina. A quasi-official French view, bearing on the problem as expressed in the Indochina economic bulletin, is that the US is trying to present "under a less imperialist light than during the war" the advantages of the Japanese co-prosperity sphere.

A second source of friction is the French economic position itself and Vietnamese efforts to secure a greater share in their own country's economy. The solution proposed by the French High Commissariat is that French business houses gradually increase Vietnamese participation. The US Legation comments, however, that nothing concrete has resulted from this proposal and expresses the belief that it will prove most difficult to induce long-entrenched, highly colonial-minded French business interests to make more than gestures in the direction of Vietnamese participation.

9.

Vietnamese newspaper derides Cambodian elections: The principal Vietnamese-owned French-language newspaper in Saigon editorially ridiculed the 9 September election of National Assembly delegates in Cambodia. This treatment of elections in the two neighboring countries by the Vietnamese press (no other prominent editorials have appeared) is probably attributable in part to the patronizing air which Vietnamese often take toward Cambodia and Laos. There is the additional possibility that the Vietnamese Government -- which, with the French, controls the press -- is embarrassed by the prospect of growing pressure in favor of elections within Vietnam, since elections of any sort would have the effect of increasing the government's accountability to the public.

Comment: The unrepresentative character of the Vietnam Government has long been criticized by the Vietnamese "fence-sitters." An attempt was inaugurated several months ago, with the ostensible blessing of the government, to establish unofficial, broadly representative committees in each of the three regions of Vietnam with a view to the eventual establishment of genuine representative assemblies. The present status of these committees and the results they have achieved are unknown.

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10. CHINA. Chinese Communists expect record cotton crop: Peiping radio announced that the current harvest of cotton throughout China should total 950,000 tons, the largest on record and more than double the 1949 yield. This, according to Peiping, is accounted for by greatly increased acreage allotted to cotton and higher yields per acre. Next year's harvest should be even larger, Peiping claims, as a result of the high price -- 18 percent higher than last year -- paid to peasants by the government for new cotton. [REDACTED]

Comment: Raw cotton, one of Communist China's major import items for the past two years, should be in ample supply for China's textile mills which at highest levels of operation use only 600,000 tons of raw cotton.

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12. Legislative Yuan investigates graft: The US Minister and Service Attaches in Taipei report that the Legislative Yuan, which in the past has attracted little attention because of its reputation for "rubber stamping," now shows signs of life. At the 8 September meeting, alleged administrative, fiscal and procedural irregularities of the Yuan were discussed in detail and with candor. Members denounced the "dictatorial approach" of President Liu Chien-chun and complained of his lavish entertaining and alleged misuse of funds. One observer reported that the legislators were "apparently surprised at their own audacity after the ice was once broken."

The Associated Press reported from Taipei on 18 September that a fifteen-man committee consisting of members of the Legislative Yuan was chosen to probe charges of misuse of funds by the Yuan, particularly in the case of Liu Chien-chun. The committee will report its findings within two weeks. [REDACTED]

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Comment: The Legislative Yuan is the highest legislative body in Nationalist China. It has 773 elected members. It has not been known as an effective department of the government because of the highly

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centralized nature of the Nationalist regime. Its members' self-criticism indicates a new surge of life and an unprecedented disregard of the political police.

13. Nationalist proposal to establish a Mobilization Board reported: The US Minister and Service Attaches in Taipei state that several sources have reported the adoption on 6 September by the Reform Committee of the Kuomintang of a proposal to reduce the ministries under the Executive Yuan to four. These four will be subordinate units of a newly established Mobilization Board which will report directly to the president, thereby circumventing the premier. At present, the Reform Committee is attempting to influence the premier to bring this proposal before the cabinet.

As the purpose of the proposal is not clear, the report states that anti-Kuomintang sources explain it as a reversal of the earlier government decision to cooperate with the US toward a planned economy. They claim that implementation of the plan would be a victory for the Political Department of the Ministry of National Defense in that it would mean further centralization of power. However, other observers explain the project as "a logical streamlining in connection with general retrenchment and austerity."

A Taipei press review of 16-17 September reports that the Mobilization Board will absorb the Ministry of Economic Affairs, the Resources Commission, the Central Trust and the Production and Commodity Board. It will be empowered to make overall decisions on production, trade and foreign exchange. Chiang Ching-kuo, the Generalissimo's son, may head the new board.

Comment: The advocates of centralized control have been in constant and, on occasion, bitter conflict with the proponents of a more democratic decentralization. Thus far the balance has weighed overwhelmingly in favor of the centralists and if Chiang Ching-kuo, chief of the Political Department, is to head the Mobilization Board, it appears that they shall continue in control.

14. KOREA. Breakdown of Soviet and Caucasian troops in North Korea estimated: The US Far East Command estimates, on the basis of 96 pertinent reports received in the period from 1 January to 1 September 1951, that a total of 25,000 Soviet or Caucasian personnel are in Korea.

Soviet personnel in Korea, numbering 15,400, are listed as follows:

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Three antiaircraft divisions, unidentified -- 6,000
One security or infantry regiment, in northeastern Korea -- 1,500
Military advisers -- 2,000
Engineers -- 1,500
Supply, counterespionage, local security -- 1,500
Coastal defense, artillery and antiaircraft artillery (separate
from antiaircraft personnel listed above) -- 1,500
Signal and radar -- 1,000
Civilian advisers -- 400

Caucasian elements, numbering 10,500, are believed to be assigned
as follows:

One artillery division, unidentified -- 5,000
Other capacities (ground and air) -- 5,000
Hospital and medical -- 500

The Caucasians are believed to be advance elements of a "Soviet Puppet
Force;" according to the Far East Command, additional reports indicate the
presence in or imminent movement to Korea of troops that would fall into
the classification of Caucasian members of a "Soviet puppet army."

Comment: While this estimate of the number of Soviet troops in Korea
cannot be verified, their number undoubtedly has risen sharply during 1951.
No Soviet or Caucasian combat unit has been positively identified in Korea.
Information concerning the existence of an organic, tactical "Soviet
Puppet Force" continues to be inconclusive.

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16. FECOM sees indications of Communist offensive intentions inconclusive: The US Far East Command, in commenting on current Communist pre-offensive indications in Korea, states that "it must be remembered in numerous respects that his (the enemy's) cycle of preparation has veered from normal sequence in the present instance, and particularly has broken previous precedents in the matter of timing." While previously the enemy's preparations were accomplished in "almost drill-like sequence with little or no interval," the Communists in Korea now appear to be "awaiting a propitious moment or some particular development." FECOM concludes that the "freedom of action he enjoys with respect to choice of time remains unchanged."

Two recent additional signs of Communist offensive preparations are the deployment in forward areas of several fresh Chinese Communist armies, and a decrease in the number of vehicle sightings in the enemy's rear areas indicating the completion of supply build-up.

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SECTION 3 (WESTERN)

1. GERMANY. East and West Germans continue discussions on Berlin and inter-zonal trade: West German authorities, reporting to the Allies on the progress of their current talks with East German officials on resumption of interzonal trade in return for cessation of current Soviet-East German restrictions in Berlin, are optimistic that various "conditions" will be met by the East Germans if the interzonal trade agreement is signed. They add that the East Germans are not likely to give in beyond the point now reached. The West Germans assert that both delegations are now prepared to sign the trade pact, with the verbal statement to be made by the West Germans that the trade agreement will be suspended if any impediments to trade are imposed.

So far, the East German authorities have proposed to establish a system whereby a joint East-West German committee would examine the so-called "doubtful" West Berlin exports which the USSR authorities are now holding up, in order to guarantee that the USSR would approve those shipments. They are also prepared to scale down the rates of the present prohibitive road tax currently imposed by East Germans on West German traffic, and see that other restrictions, such as the closing of the Rothensee Canal lock, the harassment of the parcel post, and confiscations of goods, would cease when the inter-zonal trade agreement is signed.

Before considering whether the West Germans should be permitted to sign the interzonal trade pact, the Allies have insisted that the West German delegation obtain assurances from the East Germans that, in the event of the establishment of the proposed committee to review Berlin exports, the West German unit would have the final determination as to the legality of the shipment.

Comment: Despite a willingness to make certain concessions, the East Germans have left so many of the details unsettled that the Allies cannot be sure of any appreciable improvement in the situation.

2. East German Communists revive unity campaign: At a special session of the East German People's Chamber on 15 September, Premier Otto Grotewohl revived the spring 1951 campaign for "Germans at one table," requesting the People's Chamber to send a new offer to the West German Parliament to hold an all-German unity conference. Grotewohl recommended a two-point agenda:

- (1) organization of all-German free elections for a national assembly charged with establishing a "united, democratic, peace-loving Germany," and
- (2) speeding up the conclusion of a peace treaty.

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Grotewohl added that, in view of the gravity of the situation, East Germany would be willing to abandon its previous insistence on parity between East and West German delegations. In later remarks he stated that the number of representatives is "not of fundamental importance." [REDACTED]

Comment: Soviet and East German offers to negotiate German unification and to hold all-German elections have been made many times before, but there has never been evidence of willingness to hold elections on any other than Communist terms. The major aim of these "unity" proposals is to frustrate Allied efforts to obtain German participation in Western European defense preparations.

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4. BELGIUM. Belgium renounces US aid: The Belgian Foreign Minister has stated his country's desire to renounce US aid. [REDACTED]

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Comment: Previous reports have indicated Belgian dissatisfaction with the cut in ECA aid. Although the amount of US aid to Belgium has been determined almost entirely by the amount of Belgian loans to other Western European countries, the renouncement of direct US economic assistance may

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be designed to secure greater US aid for Belgian defense production as well as to improve Belgium's position in bargaining for a pre-financing of defense production.

5. ITALY. New Agriculture Minister is cool to land redistribution: Italy's new Minister of Agriculture, Amintore Fanfani, is reported to be lukewarm toward redistribution of land as a social measure, but strongly in favor of "land reform to produce increases in net agricultural products." If this is so, the present program for land reform will continue to lag, and the general bill will be forgotten.

Land expropriation plans published to date cover nearly 500,000 acres, of which 275,000 acres have been acted upon by the cabinet. However, only about 100,000 acres will be redistributed to peasants this year. [REDACTED]

Comment: Experts believe that a productivity program to increase agricultural production without redistribution of land will not materially raise the living standards of the depressed agricultural population.

Christian Democratic promises to effect a program of land development and redistribution have been a principal factor in preventing the Communist Party from taking over Italy. It had been hoped that Fanfani, newly appointed to his post from the reformist "left" wing of the Christian Democratic Party, would try to accelerate the whole program. A slackening of this program, originally proposed by the Christian Democrats, can be expected to aid the Communists, who have continued to gain strength in agricultural southern Italy.

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7. GUATEMALA. Rumors of quetzal devaluation denied: Guatemalan Minister of Economy Noriega Morales has announced that the parity of the quetzal with the US dollar will be maintained without change for an indefinite time.

Comment: Despite official denials, it is possible that an eventual change in the quetzal-dollar rate is planned, and that the rumors of devaluation have been sponsored by the government to test public reaction. The devaluation of the quetzal would provide a solution to political and economic problems now faced by the Guatemalan Government. With a cheaper quetzal, the government could remain on record as supporting the wage demands of United Fruit Company workers and at the same time encourage the company to grant wage concessions. Devaluation would also aid the government, itself a large employer, in dealing with similar wage demands.

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SECTION 2 (EASTERN)

1. EGYPT. Egyptian government party leaders reportedly favor immediate abrogation of 1936 treaty: The British Ambassador in Cairo was informed on 16 September that a majority of the government party leaders, who met the preceding day, favored immediate abrogation of the 1936 Anglo-Egyptian Treaty, but that the Minister of Interior had succeeded in postponing any action for ten days.

The ambassador is suggesting to London that the UK reply to the Egyptian Prime Minister's latest communication by indicating that new "interesting" proposals will be forthcoming. The US Ambassador warns the abrogation of the treaty will be difficult to prevent if some hope of new proposals is not offered Egypt in the immediate future.

Comment: While party leaders have been gradually pushing the government toward definite action in regard to the long-threatened abrogation of the 1936 treaty, King Farouk, who has long opposed such action, probably will succeed in preventing any immediate steps.

The "interesting" proposals presumably will be an invitation to Egypt to participate in a joint Middle East Command. The present Egyptian mood, however, probably will not permit acceptance of membership in such an arrangement as a substitute for complete British evacuation of the Suez Canal area and of the Sudan.

2. BURMA. Burmese Cabinet divided on issue of UN appeal: From recent conversations the UK Ambassador in Rangoon has ascertained that the Burmese cabinet is divided as to whether or not to refer to the UN the presence of Chinese Nationalist troops in Burma. The Foreign Minister is opposed to such a move, while Prime Minister Nu has taken the position that Burma has no other recourse. Nu revealed, however, that he had sought Nehru's advice and would not take action pending the receipt of it.

Comment: Information received from New Delhi indicates that the Indian Government has advised the Burmese to delay an appeal to the UN.

Continued depredations by the disorganized Nationalist forces, however, may cause the Burmese cabinet to give its full support to the Prime Minister.

3. JAPAN. Termination of state of war with Italy still being negotiated: Conversations between the Italian Mission in Tokyo and the Japanese Government regarding a formula for termination of the state of war between Japan and

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Italy are still inconclusive, according to the US Political Adviser. The main point of difference arises from Italian insistence on a commitment from Japan to settle with Italy on the basis of the principles contained in the San Francisco treaty, and strong Japanese reluctance to give such a commitment. The Japanese are now considering a compromise which would recognize both the spirit of the San Francisco treaty and the special circumstances existing between the two governments.

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Comment: The Italian Government originally hoped that the exchange of notes terminating the state of war could be announced simultaneously with the signing of the San Francisco treaty. Japan's reluctance to extend the same consideration to its former Axis partner as to the other Allies, and Italy's insistence that its property losses after September 1943 at the hands of the Japanese entitled it to the full benefits of the multi-lateral treaty, have prevented agreement.

4. JAPAN. Tripartite fisheries convention suggested by US: The Department of State has recommended that the Japanese Government promptly undertake negotiations with the US and Canada to conclude a North Pacific Fisheries Convention in line with Japan's obligation under the peace treaty. The Department has recommended that the talks take place in Tokyo commencing 22 October.

Comment: Japan is anxious to conclude a non-restrictive fisheries treaty with the US and Canada which would serve as a model for future negotiations with other nations. Japan's primary objective in the coming negotiations will be to maintain the principle of freedom of high-seas fisheries, and to regain access to crabbing grounds in the Bering Sea.

SECTION 3 (WESTERN)

5. FRANCE/UNITED KINGDOM. Nations tone down opposition to US-Spanish ties: During the tripartite meetings on 14 September, British Foreign Secretary Morrison urged the US to go no further than necessary in its relations with Spain, and under no circumstances to raise the question of bringing Spain into NATO. Morrison emphasized that there was strong feeling in the UK on this issue.

French Foreign Minister Schuman said he believed that French opinion would be relieved by the US assurance that no attempt was being made to bring Spain into NATO. The main French fear, he said, would be a Spanish Army equipped by the US. Such an army would be competing with France for

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supplies, and would make it appear that the US was basing Western defense on the Pyrenees.

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Comment: Last July the British and French openly opposed any bilateral US-Spanish defense arrangements. The change suggests that the two countries may have decided that a less dogmatic attitude would enhance their chances of influencing American policy toward Spain.

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